

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 1E Contracts
Negotiated Service Agreements

Docket No. MC2018-7

Competitive Product Prices
Global Plus 1E Contracts (MC2018-7 and CP2018-12)
Negotiated Service Agreements

Docket No. CP2018-12

PUBLIC REPRESENTATIVE COMMENTS ON A
POSTAL SERVICE REQUEST TO ADD GLOBAL PLUS 1E
CONTRACTS TO THE COMPETITIVE PRODUCT LIST

(October 23, 2017)

The Public Representative hereby provides comments pursuant to the Commission's Notice initiating the above referenced docket.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Request to Add Global Plus 1E Contracts to the Competitive Products List.²

Customers Global Plus 1E contracts are Postal Qualified Wholesalers (PQWs) and other large business that offer mailing services to end users for shipping articles via International Priority Airmail, International Surface Air Lift, and/or Commercial ePacket service. Prices offered under the contracts may differ depending on the volume or postage commitments made by the customers.³

¹ PRC, Notice Initiating Docket No. MC2018-7/CP2018-12, October 16, 2017

² Request of the United States Postal Service to Add Global Plus 1E Contracts to the Competitive Products List, and Notice of Filing (Under Seal) of Contract and Application for Non-Public Treatment of Materials Filed Under Seal October 13, 2017 (Request).

³ See Postal Service Notice in Docket No. CP2018-13, October 13, 2017 at 4.

Prices and classifications not of general applicability for Global Plus 1 contracts were previously established by Governors' Decision No. 08-8.⁴ As noted by the Postal Service, subsequently, the Commission determined that the Global Plus 1 contracts filed in Docket Nos. CP2008-9 and CP2008-10, and the Global Plus 1 contracts filed in Docket Nos. CP2009-46 and CP2009-47, were functionally equivalent to each other and were included within the Global Plus 1 product on the competitive products list. In addition the Commission added the contracts filed in Docket Nos. CP2010-67 and CP2010-68 to the competitive product list as a new product, Global Plus 1A; the contracts filed in Docket Nos. CP2011-39 and CP2011-40 to the competitive products list as a new product, Global Plus 1B; the contracts filed in Docket Nos. CP2012-12 and CP2012-13 to the competitive products list as a new product Global Plus 1C; and the contract filed in Docket No. CP2016-193 as a new product, Global Plus 1D. On October 13, 2017, the Postal Service filed the instant request to establish the Global Plus 1E contracts product along with a designated baseline agreement for that product. *Request* at 2.

The Postal Service's Request does not indicate an intended effective date of the Agreement. However, it is expected to have a term of 1 year from its effective date subject to early termination under certain conditions. *Id.*, *Attachment 4* at 4.

COMMENTS

The Public Representative has reviewed the Postal Service's Request and also reviewed the supporting financial models filed separately under seal for the Global Plus 1E contract that accompanies the Postal Service's Request. Based upon that review, the Public Representative concludes that the instant Global Plus 1E contract satisfies the criteria of section 3642(b), concerning the classification of new competitive products,

⁴ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. (Governors' Decision No. 11-6), March 22, 2011.

and complies with the requirements of Section 3633(a), concerning rates for competitive products.

Product Classification. Under 39 U.S.C. § 3642(b) the criteria governing Commission review are whether the product (1) qualifies as market dominant, (2) is covered by the postal monopoly and therefore precluded from classification as a competitive product, and (3) reflects certain market considerations, including private sector competition, the impact on small businesses, and the views of product users. With respect to the criteria of section 3642(b)(1) and (2), the Postal Service makes reasonable arguments that the instant Global Plus 1E contracts, which involve outbound international mail, are neither market dominant nor covered within the postal monopoly. Request at 4-5. The Statement of Supporting Justification provides information addressing the additional considerations listed in section 3642(b)(3). For these reasons, the Public Representative concludes that the Global Plus 1E product satisfies the criteria of section 3642(b) for classification as competitive and therefore the product should be added to the competitive products list.

Product Costs. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. In this proceeding, the Postal Service asserts that the Contract should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. Thus this new Global Plus 1E contract is in compliance with the requirements of 39 U.S.C. § 3633. *Attach. 2.* The financial model accompanying the Postal Service's Request indicates that the negotiated prices in this Global Plus 1E contract should generate sufficient revenue to cover costs.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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